

Message Text

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ACTION NEA-12

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R 020500Z APR 74

FM AMEMBASSY DACCA

TO ESSO EAST HOUSTON

INFO SECSTATE WASHDC 2618

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58994 FOR FINLEY

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: INTERESTED PARTY MESSAGE FOR ESSO EASTERN

REF: DACCA 1396

1. WE HAD A VERY CORDIAL AND ENCOURAGING MEETING WITH THE MINISTER ON APRIL 1, AT WHICH WE DISCUSSED THE ALTERNATIVE PROPOSALS. I DID NOT SUBMIT AN OFFICIAL PROPOSAL IN WRITING BUT WILL DO SO ON FRIDAY, APRIL 5TH. WE HAVE HOWEVER SUBMITTED A MINUTE NOTE QUOTED BELOW.

2. QUOTE MINUTE NOTES - MEETING WITH HONOURABLE MINISTER MOFIZ CHAUDHURY, HERAMET ALI, C.B. SEITZ AND G.S. BROWN.

A. OBJECTIVE IN MEETING WITH THE HONOURABLE MINISTER WAS AMONGST OTHER THINGS TO TRY AND DEVISE AN APPROACH PARTICULARLY IN RESPECT OF THE FINANCIAL TERMS OF AN ESSO OFFER WHICH WOULD BE BOTH COMPATIBLE WITH THE ASPIRATION AND CAPABILITIES OF THE GOVERNMENT AND AT THE SAME TIME DEFENSIBLE TO ESSO VIS-A-VIS ITS RESPONSIBILITIES TO OTHER COUNTRIES IN THIS AREA.

B. IN MAKING THIS APPROACH TO THE MINISTER
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ESSO HAD UPPERMOST IN ITS MIND CONSIDERATIONS OF

MANY FACTORS NOT THE LEAST OF WHICH INCLUDED THE FOLLOWING.

1. OPERATION SHOULD CONTINUE AS HERETOFORE.
2. THE DESIRE OF ESSO TO CONCLUDE AN AGREEMENT IN KEEPING WITH THE SPIRIT OF GOODWILL AND RAPPORT WHICH HAS PREVAILED BETWEEN ESSO AND THE MINISTRY OF NRD.
3. CONSIDERATION OF THE GOVERNMENT'S FINANCIAL POSITION AND CAPABILITIES BOTH SHORT TERM AND LONG TERM.
4. ESSO'S EXTREME CONCERN IN RESPECT OF THE WELFARE OF OUR BANGLADESH NATIONAL STAFF BOTH FOR THE PRESENT AND THE FUTURE.
5. THE CONFIDENTIALITY OF DISCUSSIONS AND APPOINTMENTS.

C. THERE ARE SEVERAL ALTERNATIVES WHICH ARE AVAILABLE FOR THE CONSIDERATION OF THE GOVERNMENT, AND, BEARING IN MIND THE FOREGOING FACTORS, ESSO WAS INTERESTED IN ASCERTAINING FROM THE HONOURABLE MINISTER AND THE SECRETARY WHICH OF THESE ALTERNATIVES TO BE OUTLINED BELOW WOULD BE MOST ACCEPTABLE TO THE GOVERNMENT. HERE AGAIN ESSO IS TRYING TO ACCOMMODATE ITS PROPOSALS TO THE MOST REASONABLE DEGREE WITH THE DESIRES OF THE GOVERNMENT. BASICALLY THIS AMOUNTS TO THE GOVERNMENT MAKING ITS CHOICE OF TWO BROAD APPROACHES.

D. PROPOSAL I: THE GOVERNMENT SHOULD TAKE OVER ALL OF ESSO'S ASSETS AND LIABILITIES AND MAKE AN IMMEDIATE PAYMENT IN US DOLLARS OF 300,000 AS AGREED COMPENSATION NET OF TAX. THIS WOULD INCLUDE ESSO'S OWNERSHIP OF SHARES IN STANDARD ASIATIC OIL COMPANY LIMITED. UPON THIS IMMEDIATE PAYMENT OF \$300,000 THE GOVERNMENT WOULD BE COMPLETE OWNER OF ALL ESSO OPERATIONS IN BANGLADESH. ESSO'S NET ASSETS IN BANGLADESH PER BOOK VALUE ARE TK. 3.84 CRORES.

E. PROPOSAL II: GOVERNMENT SHOULD TAKE OVER ALL THE ASSETS AND THE LIABILITIES OF ESSO AND MAKE LIMITED OFFICIAL USE

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AN IMMEDIATE PAYMENT OF \$100,000. AN ASSESSMENT WOULD BE MADE OF THE NET BOOK VALUE BASED UPON AUDITED STATEMENTS, AND THE ASSESSED AMOUNT DUE TO ESSO COULD BE PAID OVER AN EXTENDED COMMERCIAL PERIOD OF 12 YEARS IN ANY MANNER AS THE GOVERNMENT WOULD SO DESIGNATE. ASSUMING BOOK VALUES ARE RETAINED IN RESPECT OF FIXED ASSETS ONLY THE GOVERNMENT WOULD BE OBLIGATED TO PAY \$2.76 MILLION OVER

A PERIOD OF 12 YEARS, I.E. TK. 2.36 CRORE AT
\$0.12125 EQUALS 1 TAKA.

I. A VARIATION OF AN EXTENDED PAYMENT TO
ESSO WOULD BE THAT OVER THE ABOVE THE \$100,000
IMMEDIATE PAYMENT ANY AMOUNT OF THE ESSO NET
ASSET VALUATION PAYABLE AS COMPENSATION WOULD BE INVESTED
IN SAY THE BANGLADESH INDUSTRIAL DEVELOPMENT CORPORATION
(BIDC). THE BIDC WOULD ISSUE BONDS OR ANY INSTRUMENTS OF DEBT
IN THE NAME OF ESSO. AT THE TIME OF MATURITY IT WOULD BE
DECIDED WHETHER OR NOT THE FOREIGN EXCHANGE POSITION WOULD
PERMIT THE REDEMPTION VALUE TO BE REMIOEED TO ESSO EASTERN IN
THE USA OR WHETHER IT WOULD NOT.

II. THE SAME AS FOR THE BIDC EXCEPT THAT ESSO WOULD HAVE NO
OBJECTION TO SUCH COMPENSATION OVER AND ABOVE THE IMMEDIATE
PAYMENT OF \$100,000 BEING HELD BY ANY OTHER GOVERNMENT DEVE-
LOPMENT BODY. GOVERNMENT SHOULD INDICATE ITS PREFERENCE.

F. THE GOB AND ESSO COULD THEN JOINTLY COME
TO AN AGREEMENT. ESSO WILL SUBMIT DETAILED PROPOSAL
SOONEST. WHEN THE GOVERNMENT HAS INDICATED ITS
PREFERENCE ESSO WILL PREPARE A DRAFT MEMORANDUM OF
AGREEMENT WHICH THE GOB COULD CONSIDER AND WHICH
OF COURSE WOULD BE SUBJECT TO AMENDMENTS DEPENDING
ON CIRCUMSTANCES. ESSO IN BANGLADESH CAN FUND THE
IMMEDIATE PAYMENTS LOCALLY FROM ITS OWN RESOURCES;
HOWEVER, THE GOVERNMENT WILL HAVE TO FURNISH THE
FOREIGN EXCHANGE. IT IS BELIEVED THAT FOREIGN
EXCHANGE REQUIREMENTS OF ESSO UNDER EITHER OF
THE TWO BROAD APPROACHES AS COMPARED TO THE NET
BOOK VALUE OF THE ASSETS IS MINIMAL, THEREFORE
EITHER OF THE PROPOSALS SHOULD BE ATTRACTIVE TO
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THE GOVERNMENT. UNQUOTE

III. THE MINISTER APPEARED MORE INTERESTED IN A
VARIATION OF OUR PROPOSAL II WHICH WOULD RESULT IN
ANY COMPENSATION MONEY BEING INVESTED WITH THE
BANGLADESH INDUSTRIAL DEVELOPMENT CORPORATION.
HOWEVER, THE VIEWS OF THE FINANCE MINISTRY
MUST BE ASCERTAINED.

IV. THE MINISTER VOLUNTARILY MADE THE POINT THAT
THE GOVERNMENT AND ESSO MUST CONCLUDE AN AGREEMENT
VERY QUICKLY TO WHICH WE AGREED AND WILL OF COURSE
FOLLOW UP. (SINGED) SEITZ.
DECONTROL ON RECEIPT.
NEWBERRY

NOTE BY OC/T: NOT PASSED ESSO EAST HOUSTON.

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